

SENATE BILL REPORT

SB 6163

As Reported by Senate Committee On:
Ways & Means, April 18, 2009

Title: An act relating to the nursing facility medicaid payment system.

Brief Description: Concerning the nursing facility medicaid payment system.

Sponsors: Senators Keiser and Tom.

Brief History:

Committee Activity: Ways & Means: 4/18/09 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6163 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Carrell, Hewitt, Honeyford, Parlette, Pflug and Schoesler.

Staff: Megan Atkinson (786-7446)

Background: Skilled nursing facilities (nursing homes) are licensed by the Department of Social and Health Services (DSHS) and provide 24-hour supervised nursing care, personal care, therapy, nutrition management, organized activities, social services, laundry services and room and board to three or more residents. Currently, there are 240 licensed facilities in the state with an average of 91 beds. Medicaid rates for nursing facilities are generally based on a facility's costs, its occupancy level, and the individual care needs of its residents.

The current nursing home rate methodology is specified in statute (RCW 74.46) and is based on calculations for seven different components: direct care, therapy care, support services, operations, variable return, property (essentially a depreciation allowance), and a financing allowance. The rate calculation for these seven components are based on actual facility cost reports and are updated either annually or biennially, depending on the specific component. Additional factors that enter into the rate calculations are resident days (the total of the days

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in residence for all eligible residents), certain median lids (a percent of the median costs for all facilities in a peer group), and geographical location.

Finally, RCW 74.46.421 imposes a rate ceiling, commonly referred to as the "budget dial." The budget dial is a single daily rate amount calculated as the statewide weighted average maximum payment rate for a fiscal year. This amount is specified in the Appropriations Act (for example, the budget dial for fiscal year 2009 is \$163.72) and DSHS must manage all facility specific rates so the budget dial is not exceeded.

Payments to nursing facilities is the second largest budget unit within the Aging and Disability Services Program, and payments for in-home care is the largest. The Fiscal Year 2009 nursing home payments are estimated to total nearly \$520 million from all funds with approximately \$256 million coming from general fund-state sources.

Summary of Bill (Recommended Substitute): The specific details of the nursing facility payment methodology is removed from statute, leaving intent language, general guidance to DSHS, and a structural description of the components to be considered in the rate methodology. DSHS is directed to establish a rate methodology in rule that must be revenue neutral when compared to the current methodology. The budget dial restriction remains in statute and DSHS's rule making authority is amended to provide specific authority for establishing rules regarding the nursing facility Medicaid payment system.

DSHS must adopt rules such that the resulting nursing facility Medicaid payment system is fair, predictable, transparent and accountable; and that the resulting statewide weighted average payment rate does not exceed the appropriations level in the biennial appropriations act.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The substitute bill requires that DSHS adopt rules such that the resulting nursing facility Medicaid payment system is fair, predictable, transparent and accountable; and that the resulting statewide weighted average payment rate does not exceed the appropriations level in the biennial appropriations act.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2009.

Staff Summary of Public Testimony: PRO: The current rate methodology is pretty good and we hope that moving the process into rule doesn't unnecessarily simplify the methodology.

OTHER: The timeline in the bill seems overly aggressive and would encourage the members to slow down and consider this bill next year. Also, there is concern that the current budgetary pressures could result in the rate methodology (when specified in rule, not statute)

being unduly amended such that rates would be driven down. The nursing home rate methodology is a very complex item and we prefer that the Legislature have sufficient time to fully consider this bill and not rush the bill in the final days of the session. The Legislature instructed DSHS, stakeholders, and legislative staff to work through last summer on crafting a compromise to have the rate methodology moved from statute to rule. There were many lengthy weekly meetings last summer and the individuals involved agreed to restart conversations this May. The Legislature should allow those conversations to continue, expect a compromise to be brought forward next year, and postpone action on this item for now.

Persons Testifying: PRO: Linda Hall, Providence.

OTHER: Scott Sigman, Aging Services of Washington; Gary Weeks, Washington Health Care Association.